

## **FISCAL NOTE**

### **SB 3437 - HB 3662**

February 22, 2008

**SUMMARY OF BILL:** Broadens the definition of “qualified farmer or nurseryman” as it applies to such individuals being exempt from paying state and local sales tax on the retail purchase of certain tangible personal property.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Exceeds \$4,000,000**

**Decrease Local Revenue – Exceeds \$1,000,000**

#### Assumptions:

- Under current law, a farmer or nurseryman is eligible for exemption if \$1,000 or more of agricultural products are produced or sold during a year, including payments from governmental sources, and such products were derived from agricultural land owned or leased by such farmer or nurseryman. This bill lowers the minimum threshold from \$1,000 to \$50.
- According to the Department of Revenue, at least 880,000 rural households will be motivated to generate at least \$50 in annual sales from the sale of agricultural products. By doing so, they would become eligible for the sales tax exemption allowed pursuant to Tenn. Code Ann. § 67-6-207(a).
- Items eligible for such sales tax exemption include, but are not limited to, appliances, grain bins, grain bin attachments, aircraft used for crop dusting, timber harvesting equipment, livestock transport trailers, fertilizers, seeds, plants, pesticides, and other chemicals, systems for poultry environment control, livestock and poultry feeds, and gasoline and other fuels if used for agricultural purposes.
- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of individuals that will utilize such exemption, the extent to which they purchase eligible items, the retail cost of such eligible items, and the extent to which fuel purchases would be shifted to agricultural purposes. As a result, determining a precise fiscal estimate for this bill is problematic. However, it is reasonably

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estimated that state revenue will decrease by some unknown amount estimated to exceed \$4,000,000 per year and local government revenue would decrease by some unknown amount estimated to exceed \$1,000,000 per year.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J".

James W. White, Executive Director

/rnc